NEW JERSEY OFFICE OF ECONOMIC OPPORTUNITY
Trenton, New Jersey 08625

Background Memorandum

THE RELATION OF NEW JERSEY'S WAR ON POVERTY TO RISING WELFARE COSTS AND CASELOADS

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An article in the January 29th edition of the Newark Sunday News examined the "steady rise in welfare rolls across the state" despite "more than $77 million worth" of anti-poverty programs. Although the article documents this premise with statistics, the suggestion that a causal relationship exists between the total amount of anti-poverty dollars invested in New Jersey and the rising welfare costs and caseloads needs further analysis and clarification.

To begin with, the article draws an illogical and unfair comparison of unlike factors -- the total amount of anti-poverty money committed in New Jersey versus the total number of persons on the welfare rolls.

The total amount of anti-poverty dollars invested in New Jersey since 1964 did, in fact, amount to some $77 million; but only some $10 million of that total was devoted to work experience and training programs. Under Title V of the Economic Opportunity Act (including 1966 amendments), these programs provide constructive work experience and job training for needy persons unable to support themselves or their families. Such projects are designed to help them develop skills which may assist them in finding jobs. This includes unemployed heads of families on welfare, farm families with less than $1,200 net family income and other needy persons.

Indeed, if any valid measure of the effect of anti-poverty programs on the welfare rolls is to be drawn, only those anti-poverty programs directly related to manpower training and its related services, namely, Title V programs, should be taken into account. The alternative approach -- to include some

$60 million in other anti-poverty programs, like Head Start or the Neighborhood Youth Corps which are long range in scope--misuses the general to prove the particular; mixes, so to speak, apples and oranges, and is very misleading.

A more equitable approach would be to measure the effect of this $10 million in anti-poverty work experience and job training programs, which have been in operation since the war on poverty was launched in New Jersey in October of 1964. At present, there are seven Title V Work Experience programs operating in New Jersey. The State itself operates one project in Passaic County and the cities of Newark and Trenton have been conducting programs for the last two years. In addition, Camden, Union, Monmouth and Bergen Counties have Title V projects.

In all, however, these seven projects -- utilizing a sum total of some $10 million in anti-poverty funds -- have reached approximately 3,300 welfare recipients from August, 1965, when the program began, through December 31, 1966. Of these, some 820 have found permanent employment and either no longer receive welfare payments or have had their payments sharply reduced; 1,200 are still in training; and about 1,100 are still unemployed after having received training. It is this latter group which is difficult to place in jobs due to a multitude of educational, cultural and environmental reasons.

It is misleading and unfair, therefore, to expect seven work experience programs with just $10 million to reach any more than the 3,300 welfare recipients they were designed to reach. Yet, the article points out that "in spite of all this spending, the number of persons collecting welfare in New Jersey rose from 158,550 in December, 1964, to 187,668 in December, 1966. Total payments rose from $101 to $125 million, not counting administrative costs." Such a comparison lacks perspective.

Secondly, it should be noted that only a small number of the 187,668 welfare recipients in New Jersey -- comprising just 2.6 per cent of the State's

population of nearly seven million-- are employable; that is, capable of being trained and educated so they may eventually support themselves and their families and leave the welfare rolls. A careful examination of the welfare rolls will demonstrate why.

In the first place, the State welfare rolls are comprised of several different kinds of categories, including: old age assistance for those elderly citizens too old or incapacitated to hold jobs to support themselves and whose social security payments, pensions, or other income are insufficient for their minimum requirements; disability assistance for those New Jerseyites under age 65 who are unable to work because of permanent and totally disabling conditions; blind assistance for financially needy persons who are classified as legally blind and unable to support themselves as a result; medical aid for the aged whose other sources of income cannot cover the costs of major medical expenses; assistance to families with dependent children, if one of the parents is missing from the home or is incapacitated for employment; and general assistance for those people who are either awaiting categorical assistance through one of the above categories or are unemployed, underemployed or temporarily incapacitated through sickness, lay-off, etc.

Of the approximately 187,000 welfare recipients in New Jersey, some 32,000 or about 16 per cent receive welfare assistance in one of the first four categories, namely, old age assistance, disability aid, blind assistance, or medical aid for the aged. Certainly these recipients should not be included in determining the effectiveness of anti-poverty work training programs in reducing the welfare rolls. For surely no amount of anti-poverty money or programs can ever reduce the number of aged, the number of disabled or handicapped or the number of blind; nor can such programs reduce to any significant extent the number of such persons who are financially needy.

Of the remaining two categories, some 122,000 recipients or 67 per cent

of the total number of welfare recipients receive Assistance for Dependent Children. This category provides monetary aid for families with children, if one parent -- usually the father -- is missing from the home or is incapacitated for employment.

It is important to note, however, that of the 122,070 A.D.C. recipients during November, 1966, some 92,995 or three-fourths (75 per cent) were children; only 29,175 (25 per cent) were adults.

This is significant because only the adults are potential members of the labor force; and for every adult that can be trained to hold a job, two or three times as many children will be removed from the relief rolls.

The question, then, is how many of these nearly 30,000 adults are employable? The answer, unfortunately, is very few. To begin with, 90 per cent of them are mothers; the remaining 10 per cent cover cases where the mother is not in the home and where the children are living with other relatives.

The last "characteristic study" of Assistance for Dependent Children recipients was made in 1961 by the New Jersey State Department of Institutions and Agencies, under the auspices of the federal government. Although the study is now more than five years old, much of its results could be safely applied to the present statistics.

According to that study, approximately two-thirds -- 65 per cent -- of all A.D.C. mothers were classified as needed in the home to care for small children, a disabled husband or some similar reason and, therefore, were unable to work; about eight per cent were already employed, but had earnings insufficient to meet family needs; three per cent had no marketable skills; nine per cent were physically or mentally unable to work; six per cent were actively seeking employment but could not find it; and the remaining nine per cent were unclassified in the survey.

Using those percentages in relation to the 30,000 A.D.C. adults in November of 1966, we will see that some 22,500 were needed in the home and

hence unable to work; 2,400 were working but not earning enough to support their families; another 2,400 were physically or mentally unable to work; 900 had no marketable skills and the remaining 1,800 sought but could not find employment.

This is extremely significant: that of 122,000 A.D.C. recipients, only 30,000 are adults, and that of these, only 2,700 were unemployed simply because they could not or would not work.

It is also significant that although the number of A.D.C. recipients increased from 102,218 in November of 1964 (when the antipoverty program began) to 112,835 in November of 1965 and then to 122,170 in November of 1966, the rate of increase or growth is steadily decreasing. From 1964-65, the rate of increase amounted to 10 per cent; from 1965-66, the rate of increase amounted to eight per cent. This indicates a drop of two per cent in the rate of increase between 1964 and 1966. The same drop in the rate of increase was apparent in the Essex County figures for A.D.C. assistance.

This trend is a salient point, for the increase in numbers corresponds with the increases in population and the increases in welfare costs are in line with rises in the cost of living. The article made no mention of either of these factors.

The last welfare category is General Assistance. A breakdown of this category shows that as of October, 1966, there were some 29,000 persons receiving this kind of welfare aid, distributed through the local municipalities throughout the state.

According to State Division of Public Welfare Statistics, the 29,000 persons aided in October, 1966, represented some 9,672 cases. Of all cases opened in 1966, less than 25 per cent were opened because of unemployment, and less than 10 per cent were opened because of underemployment. Applying these percentages to the October, 1966 caseload of 9,672 general assistance cases, less than one third were opened because of unemployed or underemployed

people. The great bulk -- about 75 per cent-- were opened for other reasons, such as: pending categorical aid (22.2 per cent), physical or mental disability (33.3 per cent), insufficient income or resources (6.5 per cent) and domestic problems (5.9 per cent).

Further, the Division of Public Welfare Statistics report points out that there was "less case activity in fiscal year 1966 than in the preceding year, with 1,212 fewer cases opened and 601 fewer cases closed. Case closings exceeded case openings by less than one per cent (36,837 closings and 36,534 openings) and the net case load decreased by 303 cases. In contrast, in the preceding year, case openings exceeded case closings by a net of 308 cases (37,746 openings and 37,438 closings)."

The statistics also point out that of all the case closings for FY 1966, employment factors account for the largest percentage. Of all those general assistance cases during FY 1966, 23 per cent were closed due to "return to employment", six per cent due to "increase in employment income" and two per cent due to "receipt of unemployment compensation benefits. "Combined, the three reasons account for 31.81 per cent of the total, about four percentage points less than the corresponding year," the report adds.

I think this careful scrutiny of the welfare rolls gives raw statistics a new meaning and perspective. As has been shown, only a small portion of the 187,000 welfare recipients are actually potential workers, and as such able to be reached, so to speak, by anti-poverty or any other kind of work training programs.

Whatever the causes, however, the anti-poverty program must not be regarded as a short term solution to problems that have taken decades to emerge. There are no quick answers, no easy solutions, no cure-alls for all of society ills.

It is hardly practical or even feasible to measure the effect of 10 million dollars worth of anti-poverty programs in just two short years. All new programs, especially those of the war on poverty which embrace new and sometimes radical approaches to solve these problems, must be judged by their long-term effect on the problems they were created to combat.

There is no way to estimate the sum total of disadvantaged who may have been on the welfare rolls today were it not for some form of anti-poverty assistance provided somewhere along the way. Who is to judge whether the welfare rolls might have been larger yet, whether the rate of increase might have spiraled upward, instead of downward, were it not for anti-poverty projects that are preventive, rather than corrective in nature? These issues cannot and should not be answered now. Only time will tell.

During the two short years since the Economic Opportunity Act was enacted, the Federal Government has taken a new look at family planning as a potential weapon against increasing welfare rolls. The country has witnesses a full cycle -- from President Eisenhower's disavowal of any government participation in family planning, to President Johnson's endorsement of such proposals -- without coercion -- in both anti-poverty and welfare programs. In time, New Jersey and the other states may find in this a partial solution to the size of the dependent population.

In his recent Economic Report to the Congress of the United States, President Johnson reaffirmed this country's commitment to "end poverty within its borders." But he added: "Yet, with old weapons and new, the war on poverty will not be won in 1967 -- or 1968. There is no wonder drug which can suddenly conquer this ancient scourge of man. It will be a long and continuing struggle, which will challenge our imagination, our patience, our knowledge and our resources for years to come. Our capacity to stay with the task will be a test of our maturity as a people."

But this is only the beginning. Much remains to be done. There is need for better coordination of federal money, for streamlining the costly investigative procedure of welfare eligibility, for new and innovative ways to reach those mothers of dependent children whose husbands are not at home, and for providing increased job opportunities for persons presently frustrated in their quests for employment. And finally, there is the need to recognize that, even with all these programs and more, the problems of unemployment will not be eliminated overnight.

A November 7, 1966 edition of Newsweek puts it clearly: "But the depth of the problem is a dimension seldom faced squarely either by its victims or its would-be solvers: the fact that most of the hard-core unemployed are, by traditional economic definitions, unemployable. They are, in brief, persons with records of defeat and consequent emotional problems, with few skills and little or no independent interest in acquiring them, and often with a low motivation to do a good job even if a job comes their way."

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